



DON'T WORRY, **RETIRE HAPPY**

Getting Ready to Retire and Take Income

Iowa
Retirement Investors' Club (RIC)
Look forward to retirement!



- **Program Review**
- **Contributions/roll-ins**
- **Investments**
- **In retirement**
- **Taxes**



Program review

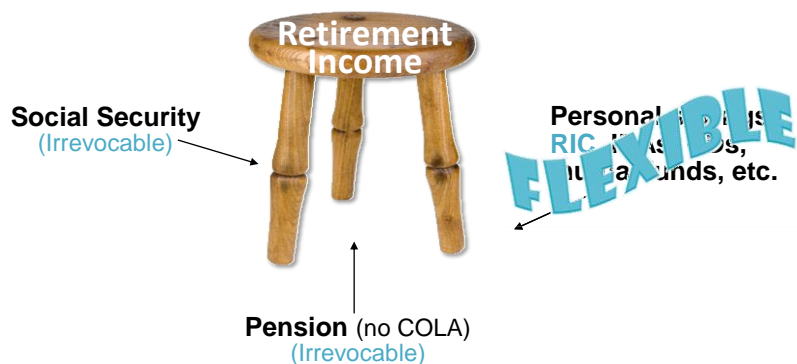
The Iowa **Retirement Investors' Club (RIC)** is administered for the exclusive benefit of all participants and beneficiaries.

Participants enjoy:

- Tax advantages
- Diversified no-cost/low-cost investment options with no penalties or restrictions
- Flexible distribution options

Program review


In retirement, RIC is the your flexible source of income.



Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account



Pretax	<ul style="list-style-type: none">• Not taxed in year saved• Grows tax-deferred• Taxed when taken as income
Roth (post-tax)	<ul style="list-style-type: none">• Taxed in year saved• Grows for tax-free income

Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account
- **401a plan** employer contribution only account

Employer match contributions of **up to \$75/month** are deposited to your 401a plan



Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account
- **401a plan** employer contribution only account



No vesting requirements!

Program review



Once you leave employment, your RIC deferred compensation assets are yours! There are no product restrictions or surrender penalties.

RIC plans provide great benefits throughout your retirement years!

It's important to be familiar with your RIC plan benefits so you can make informed decisions about your income and investments.

Contributions (limits)



The total of all contributions (pretax and/or post-tax) made to the 457 account in a tax year must not exceed the IRS annual maximum limits.

Limits may adjust annually.

IRS 457 Maximum Contribution Limits		2021
Regular	100% of compensation up to:	\$19,500
Age 50+	Regular limit + \$6,500	\$26,000
3-Year Catch-up	Up to twice the regular limit	\$39,000

Contributions (limits)



3-Year Catch-Up

- Have contributions to “catch-up on”
- Be within 4 years of IPERS normal retirement*
- Available for 3 consecutive years

Request a 3YCU worksheet from RIC or your payroll office to find out if you qualify.

* Rule of 88, Rule of 62/20, or are age 65 (POR- Age 55 & 22 years of service)

Contributions (final pay)

Final pay

You may defer all or a portion of your final pay to RIC (within IRS annual maximum limits).



All 457 assets are available at retirement.

Contributions (change request)

To change deduction amount or taxation, complete the *RIC Account Form*. For final pay deduction changes, submit form by last day of employment.

Don't need new account for Roth

RIC Use Only: Provider Plan No.

Iowa Retirement Investors' Club (RIC)
Look forward to retirement!

State Employee RIC Account Form

Personal Information

Last name _____ First name _____ NICL _____ Social Security # _____
Existing accounts use last 4 digits only

Address _____ City _____ State _____ Zip _____

Birth date _____ Agency/Dept _____ Phone (work) _____ Phone (mobile or home) _____

☐ New account (Must open 457/401 accounts with RIC provider) ☐ Change to existing account (This form replaces last completed deduction request)

The combined amount of all 457 pretax and Roth contributions in a tax year is limited to the IRS annually declared maximum contribution limits (<https://www.irs.gov/retirement-plans/457-plans/457-plans-overview>)

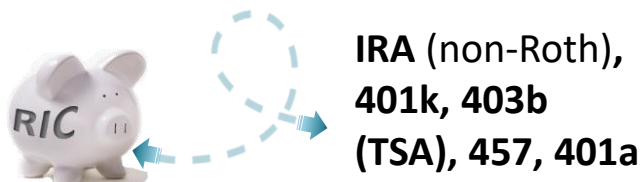
457 Payroll Deduction Election		Empower*		Horace Mann		Voya	
TOTAL PER CHECK deduction amount	pretax \$ _____ /check	pretax \$ _____ /check	pretax \$ _____ /check	pretax \$ _____ /check	pretax \$ _____ /check	pretax \$ _____ /check	pretax \$ _____ /check
	roth \$ _____ /check	roth \$ _____ /check	roth \$ _____ /check	roth \$ _____ /check	roth \$ _____ /check	roth \$ _____ /check	roth \$ _____ /check
	<input type="checkbox"/> Stop deductions	<input type="checkbox"/> Stop deductions	<input type="checkbox"/> Stop deductions	<input type="checkbox"/> Stop deductions	<input type="checkbox"/> Stop deductions	<input type="checkbox"/> Stop deductions	<input type="checkbox"/> Stop deductions
Deduction frequency (select one)	<input type="checkbox"/> 12 checks/year <input type="checkbox"/> 1 st check or <input type="checkbox"/> 2 nd check	Effective date: Changes affect the 1 st available check of the month following receipt of this form unless a later date is indicated here. Stop requests are immediate.		<input type="checkbox"/> Begin as of _____ (MM/DA/YYYY)		<input type="checkbox"/> 1 check only _____ (MM/DA/YYYY)	
	<input type="checkbox"/> 24 checks/year			<input type="checkbox"/> Final check _____ (MM/DA/YYYY)			
	<input type="checkbox"/> 26 checks/year (all checks)						

Tax and Social Security _____

Phone: ☐ AM ☐ B per year* ☐ Horace Mann ☐ M ☐ Voya ☐ 1 check only ☐ 2 check only ☐ 3 check only ☐ 4 check only ☐ 5 check only ☐ 6 check only ☐ 7 check only ☐ 8 check only ☐ 9 check only ☐ 10 check only ☐ 11 check only ☐ 12 check only

Roll-ins

Outside retirement plan assets may be rolled into and out of RIC at any time. This is a non-taxable transfer.



Consider RIC benefits of penalty-free competitive fixed rate accounts, no-load/low-cost mutual funds, expert advisors, etc. for your outside retirement assets.

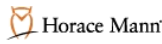
Investments (selection)

Provider products are competitively bid and must meet the RIC investment policy standards and annual review requirements.

Here are a few things you can expect:

- Diversified, competitive fund line-up
- No sales charges or transfers between funds
- 24/7 internet/phone account access
- No restrictions or fees for eligible distributions
- Flexible payment options at separation from employment
- Investment planning tools and advisors to help you plan

Investments



Providers have options in all of these categories.

Bond (Income)

Fixed Rate (safety)
Interm-Term High-
Quality Core Bond
High-Yield Bond
TIPS (Treasury Inflation-
Protected Securities)
Global Bond

Stock/Bond (Balanced)

Traditional Balanced
Lifecycle (target date)

Stock (Growth)

Large Capital Stock Index
Large Capital Value Stock
Large Capital Growth Stock
Mid-Capital Stock Index
Mid-Capital Value Stock
Mid-Capital Growth Stock
Small Capital Stock Index
Small Capital Value Stock
Small Capital Growth Stock
Total US Stock Mkt Index

International

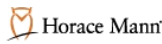
Int'l Developed Mkts
Int'l Emerging Mkts
World

Alternative

Real Estate
Socially Responsible
Self-Directed Brokerage
Account (SDBA)

* Empower – formerly MassMutual Retirement

Investments



All options fall into 2 main categories

Fixed Rate



- Declared rate-fixed period
- No market risk
- No restrictions/maturities
- No fees

Mutual Funds



- Variable Rate
- Degrees of market risk
- No restrictions/maturities
- No sales charges or loads

Total fee range (as of 1/2021) = .03% - 1.09%

Investment options include index and target date funds from various investment managers, fixed rate accounts, and self-directed brokerage accounts.

* Empower – formerly MassMutual Retirement

Investments

Investment options for retirees

Each investor has different needs and goals as they approach retirement. RIC provides a variety of investment offerings and services.



Help from local advisor at no additional cost



No-load growth funds & auto-rebalancing



Fixed rates, no market risk, fees, or restrictions



Manage my own stocks & bonds online



Target-date funds to provide income in 10 yrs.

Investments

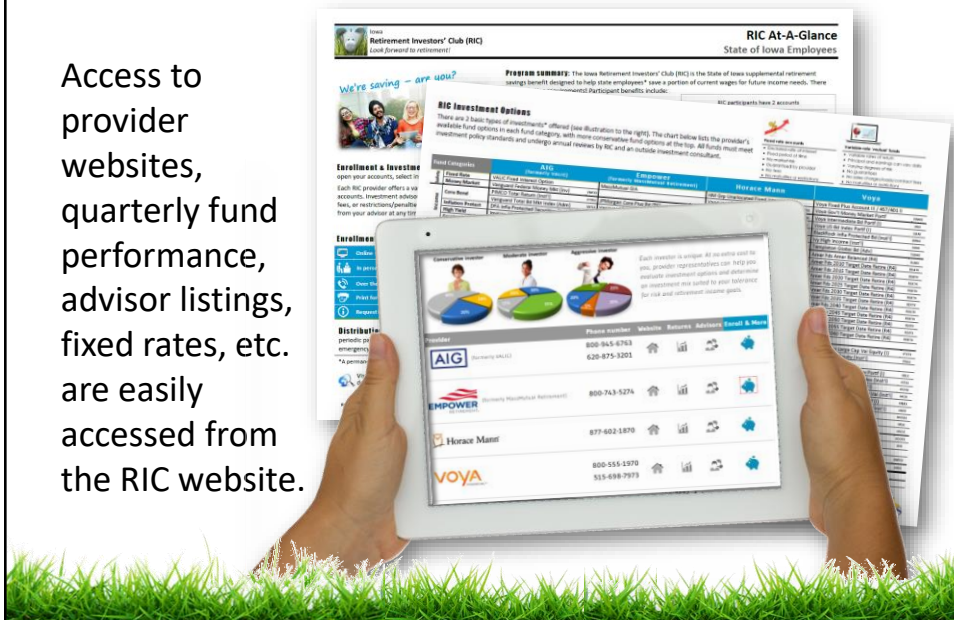
No-cost advisor services

RIC provider representatives can evaluate your investment mix, suggest changes (if needed), and explain the risks associated with each investment.



Investments

Access to provider websites, quarterly fund performance, advisor listings, fixed rates, etc. are easily accessed from the RIC website.



In retirement

At separation from employment

You do not have to take your money out until you want it or turn age 72*, whichever is first.

Distribution requests are made directly to your provider. State authorization is not required.

You choose how much and when and how you take your money.



Consider what's most important to you...

*Required Minimum Distribution - IRS requires minimum annual distributions begin no later than April of the calendar year following the year you attain age 72 (70 ½ if you turned 70 ½ before 2020) or retire, whichever is later.

In retirement

Make a list of what's important

- Supplement SS and pension income
- Projected date of income need
- Health insurance needs
- Death benefits (beneficiaries, spouse's income)
- Lifestyle in retirement (hobbies, travel, purchases, clubs, etc.)
- Investment goals (safety, income, growth)
- Need for liquid cash (emergencies, extra income)
- Whatever else comes to mind...



Everyone has different income needs.

In retirement

Retiree income needs differ. RIC options include:



Stay invested & defer taxes until my RMD



Partial lump sums as I need them



Guaranteed income for my lifetime



Lump sum for new business & monthly income



Periodic payments I can change

Bottom line...You have choices!

In retirement



- Stay invested in RIC
- Take income
- Roll out of RIC
- Purchase pension credits

In retirement (stay invested)

Staying invested in RIC

IRS Required Minimum Distributions (RMD)

- The IRS requires annual minimum distributions to begin no later than the year you turn age 72* or retire, whichever is later.
- You have up until April of the following year to take your first distribution without penalty.
- **If you fail to take distribution on time, you are subject to a 50% penalty on the required distribution amount.**
- Unused assets remain invested and available for additional distributions unless you annuitize.



*Or age 70 ½ if you turned 70 ½ before 2020

In retirement (take income)

Once you leave employment, you may take cash at any time without product restrictions or fees.

Cash may be taken:

- **As you need it** (flexible)
- **As lifetime income** (irrevocable)
- **Any combination**



In retirement (take income)

As you need it **FLEXIBLE**

-
- Lump sum payments (no maximum limits)
 - Periodic payments (not based on life expectancy)
 - You choose payment amount and frequency. (fixed dollar amount, percentage, even distribution, etc.)
 - Increase, decrease, stop, as income needs change.
 - Unused assets remain invested and available for additional distributions unless you annuitize.

In retirement (take income)

Lifetime Income ~~FLEXIBLE~~

You **purchase** a lifetime income annuity with all or a portion of your RIC assets.

- Payments continue for your lifetime even if you exhaust your invested amount.
- Payments are irrevocable.
- No access to unused invested balance for investment selections or additional distributions.
- No transfer of assets to beneficiaries.

In retirement (take income)

Lifetime Income ~~FLEXIBLE~~

Calculation options

Single life

(your lifetime only)



Joint life

(your lifetime and that of 1 survivor)



May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

In retirement (take income)

Lifetime Income ~~flexible~~

Single life example

Example

Invested amount: \$100,000

Life expectancy: 18 years (life expectancy predicted to be age 83)



Income Benefit: **\$9,006.00/yr**

May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

In retirement (take income)

Lifetime Income ~~flexible~~

Single life example

Lives to be age **95?**

Lifetime benefit=

\$270,180.00

(\$9006 x 30 years)



Lives to be age **70?**

Lifetime benefit=

\$45,030.00

(\$9006 x 5 years)

His balance of more than
\$55,000 goes to the
insurance company.

May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

In retirement (take income)

Lifetime Income ~~FLEXIBLE~~

Joint life example

Example

Invested amount: \$100,000

Life expectancy: 27 years (combined life expectancy)



Income Benefit: **\$7,600.00/yr**

If the annuitant's survivor dies before him, he continues to receive the joint benefit amount. Upon his death, the unused portion of his account will go to the insurance company.



May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

In retirement (rollover)

They're looking
for you

You may hear...

What you know...

"Investment selection is limited in RIC."

RIC has fixed rate options (no fees) plus over 125 mutual funds managed by top-performing investment managers at low cost.

"IRAs are safe."

IRA investments have the same risks as all investments and should not be thought of as safe investments in general.

"You're paying too much in RIC."

RIC has no annual contract, M&E, or surrender fees, and no to low administrative fees. Many RIC fund shares are lower cost than retail shares due to economies of scale.

"IRAs have more payment options."

RIC accounts have no restrictions, surrender penalties, maturities, etc. Your money is always liquid. Payment options are numerous. No withdrawal penalty prior to age 59 ½ for 457.

"I can't help you if you stay in RIC."

They can tell you if the investments you hold in RIC complement what they manage. In many cases they can represent an RIC provider.

"I don't get paid if you stay in RIC."

Low RIC fees are part of the plan design and may not pay the advisor as much as retail investments in IRAs.



In retirement (IPERS purchase)

Service Credit Purchase

Once you file for IPERS benefits, you may purchase service credits with both pretax 457 and 401a match assets.



Rollover is non-taxable. Roth assets are not available for service credit purchases.

Taxes

Taxable distributions - taxed as ordinary income and reported on IRS 1099R, however...

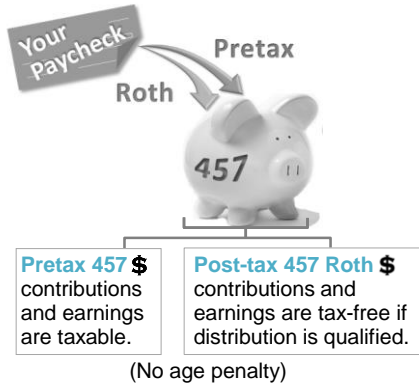


Mandatory withholding -
minimum income tax
withholding of 20% federal
and 5% state*

* Exceptions on request: RMD; annuitization; irrevocable equal payments for 10+ years; reside outside of Iowa (Iowa tax exemption)

Taxes

Tax treatment of distributions differs
depending on the taxation of contributions.



Qualified Roth Distribution:

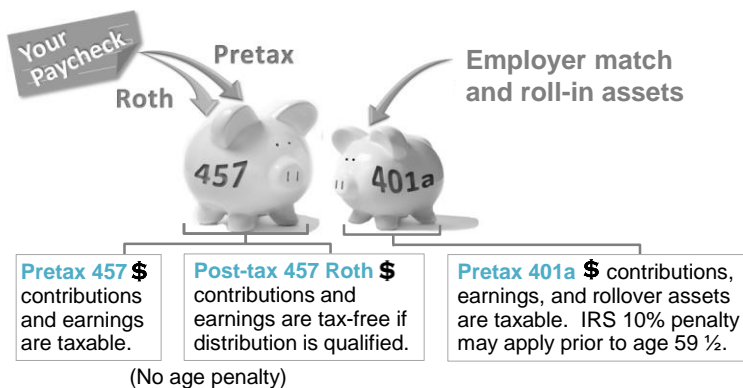
Roth earnings are tax-free if:

- Distributable event occurs;
- Roth account open for 5+ years;
- You are age 59 ½+ or disabled

Non-qualified Roth distributions subject to taxation of earnings portion of the distributed amount.

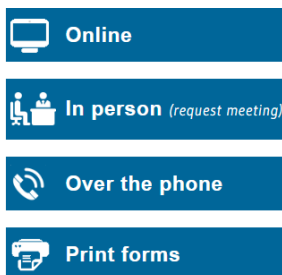
Taxes

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Enrollment

Enrollment is always open - The provider has everything you need



Go to <https://das.iowa.gov/RIC/SOI/enrollment>.

Resources

- Call your provider if you have any questions about reviewing your statements.
- Access your account online.
- Review the RIC website at <https://das.iowa.gov/RIC>
- Contact us if you need help.

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Iowa
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